

0845 Department of Insurance

California's publicly-elected Insurance Commissioner regulates the largest insurance market in the United States, and the eighth largest insurance market in the world, with \$123 billion in direct premiums; enforces the California Insurance Code; and oversees the California Department of Insurance (CDI). The CDI acts to ensure vibrant markets where insurers keep their promises and the health and economic security of individuals, families and businesses are protected.

The CDI licenses and regulates insurance companies, agents and brokers in California. Currently, the CDI oversees and licenses approximately 1,300 insurance companies and 360,000 individuals and business entities as insurance agents, brokers, adjusters and bail agents. Additionally, the CDI receives and investigates over 250,000 consumer inquiries and complaints annually; performs examinations to ensure the financial solvency of companies; receives approximately 28,000 suspected fraudulent claim referrals annually; and works in conjunction with local, state and federal law enforcement agencies to investigate and prosecute fraudulent insurance practices.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2013-14	2014-15	2015-16	2013-14*	2014-15*	2015-16*
0520	Regulation of Insurance Companies and Insurance Producers	438.8	474.5	471.0	\$77,330	\$83,381	\$80,520
0525	Consumer Protection	296.6	344.0	346.0	51,130	57,208	56,988
0530	Fraud Control	265.2	306.3	327.3	109,109	114,647	121,614
0535	General Fund Tax Collection and Compliance	12.2	14.0	14.0	1,853	2,042	2,047
9900100	Administration	220.6	244.5	244.5	29,386	31,938	31,714
9900200	Administration - Distributed	-	-	-	-29,386	-31,938	-31,714
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		1,233.4	1,383.3	1,402.8	\$239,422	\$257,278	\$261,169
FUNDING					2013-14*	2014-15*	2015-16*
0001	General Fund				\$-	\$4,643	\$6,171
0217	Insurance Fund				236,575	249,282	253,940
0890	Federal Trust Fund				2,675	3,103	808
0995	Reimbursements				172	250	250
TOTALS, EXPENDITURES, ALL FUNDS					\$239,422	\$257,278	\$261,169

LEGAL CITATIONS AND AUTHORITY

PROGRAM AUTHORITY

0520-Regulation of Insurance Companies and Insurance Producers:

Insurance Code, Sections 1-16032, except as noted below.

0525-Consumer Protection:

Insurance Code, Division 1, Part 2, Chapter 1, Articles 4, 5.1, 6, 6.3, and 6.5, Chapter 5, Article 12, Sections 1872.81, 10127.17, 10273.7, 12921.1-12921.5, 12928, and 12930.

0530-Fraud Control:

Insurance Code, Division 1, Part 2, Chapter 12 (except Section 1872.81 cited above).

0535-General Fund Tax Collection and Compliance:

Insurance Code, Sections 1774-1780; and Revenue and Taxation Code, Part 7 of Division 2.

DETAILED BUDGET ADJUSTMENTS

	2014-15*		Positions	2015-16*		
	General Fund	Other Funds		General Fund	Other Funds	Positions
Workload Budget Adjustments						
Workload Budget Change Proposals						
• Menu Modernization Project (Year 2)	\$-	\$-	-	\$1,527	\$1,250	7.5
• Workers' Compensation Fraud Program	-	-	-	-	5,417	15.0

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

0845 Department of Insurance - Continued

	2014-15*			2015-16*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
• Health Insurance Reform	-	-	-	-	1,005	-
• Federal Grant for Health Insurance Rate Review/Increased Transparency in Medical Services Pricing	-	-	-	-	452	-
• Health Policy Form Review for ACA Compliance	-	-	-	-	280	2.0
Totals, Workload Budget Change Proposals	\$-	\$-	-	\$1,527	\$8,404	24.5
Other Workload Budget Adjustments						
• Retirement Rate Adjustments	\$51	\$3,285	-	\$51	\$3,285	-
• Salary Adjustments	6	1,588	-	6	1,588	-
• Benefit Adjustments	2	723	-	2	862	-
• Pro Rata	-	-	-	-	195	-
• Miscellaneous Baseline Adjustments	-	-	-	-	-6,381	-5.0
Totals, Other Workload Budget Adjustments	\$59	\$5,596	-	\$59	-\$451	-5.0
Totals, Workload Budget Adjustments	\$59	\$5,596	-	\$1,586	\$7,953	19.5
Totals, Budget Adjustments	\$59	\$5,596	-	\$1,586	\$7,953	19.5

PROGRAM DESCRIPTIONS

0520 - REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS

The objectives of this program are to: (1) prevent losses to policyholders, beneficiaries or the public due to the insolvency of insurers; (2) prevent unlawful or unfair practices by insurers as defined by the Insurance Code; (3) ensure that property and casualty insurance rates are not excessive, inadequate, unfairly discriminatory or otherwise in violation of the Insurance Code; (4) review health insurance rates filed with the Department to determine whether they are reasonable and attempt to get unreasonable rates lowered by insurers; (5) ensure that applicants for insurance licenses, and holders of insurance licenses, satisfy and maintain the qualifications for licensure. Through the Conservation and Liquidation Office, the CDI administers the estates of insolvent and delinquent insurance companies.

0525 - CONSUMER PROTECTION

The objectives of this program are to: (1) provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating or underwriting by insurers and (2) protect applicants and policyholders from discriminatory, unlawful or fraudulent practices or incompetence relating to the sale of insurance.

0530 - FRAUD CONTROL

The objective of this program is to protect the public from economic loss by actively investigating, arresting and referring for prosecution or adjudication those who commit insurance fraud and other violations of the law. The program is staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases.

0535 - GENERAL FUND TAX COLLECTION AND COMPLIANCE

This program performs tax collection; ensures compliance from insurance companies and surplus line brokers with the laws contained in the Insurance Code and Revenue and Taxation Code; and assists the Board of Equalization and State Controller's Office with various refund, assessment, and accounting matters relative to the premium tax program. Tax collections from this program are deposited in the State's General Fund.

9900 - ADMINISTRATION

This program provides administrative support services to the CDI including budgets, accounting, human resources, business services and information technology, as well as legislative and legal services.

DETAILED EXPENDITURES BY PROGRAM

		2013-14*	2014-15*	2015-16*
PROGRAM REQUIREMENTS				
0520	REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

0845 Department of Insurance - Continued

		<u>2013-14*</u>	<u>2014-15*</u>	<u>2015-16*</u>
	State Operations:			
0217	Insurance Fund	\$74,483	\$80,028	\$79,462
0890	Federal Trust Fund	2,675	3,103	808
0995	Reimbursements	<u>172</u>	<u>250</u>	<u>250</u>
	Totals, State Operations	\$77,330	\$83,381	\$80,520
	SUBPROGRAM REQUIREMENTS			
0520010	Rate Regulation			
	State Operations:			
0217	Insurance Fund	\$22,285	\$20,741	\$19,934
0890	Federal Trust Fund	2,675	3,103	808
0995	Reimbursements	<u>172</u>	<u>250</u>	<u>250</u>
	Totals, State Operations	\$25,132	\$24,094	\$20,992
	SUBPROGRAM REQUIREMENTS			
0520019	Regulatory			
	State Operations:			
0217	Insurance Fund	<u>\$17,559</u>	<u>\$24,256</u>	<u>\$24,231</u>
	Totals, State Operations	\$17,559	\$24,256	\$24,231
	SUBPROGRAM REQUIREMENTS			
0520028	Licensing			
	State Operations:			
0217	Insurance Fund	<u>\$27,813</u>	<u>\$25,643</u>	<u>\$25,931</u>
	Totals, State Operations	\$27,813	\$25,643	\$25,931
	SUBPROGRAM REQUIREMENTS			
0520037	Special Programs			
	State Operations:			
0217	Insurance Fund	<u>\$6,826</u>	<u>\$9,388</u>	<u>\$9,366</u>
	Totals, State Operations	\$6,826	\$9,388	\$9,366
	PROGRAM REQUIREMENTS			
0525	CONSUMER PROTECTION			
	State Operations:			
0001	General Fund	\$-	\$699	\$699
0217	Insurance Fund	<u>50,416</u>	<u>55,759</u>	<u>55,539</u>
	Totals, State Operations	\$50,416	\$56,458	\$56,238
	Local Assistance:			
0217	Insurance Fund	<u>\$714</u>	<u>\$750</u>	<u>\$750</u>
	Totals, Local Assistance	\$714	\$750	\$750
	SUBPROGRAM REQUIREMENTS			
0525010	Legal Compliance			
	State Operations:			
0217	Insurance Fund	<u>\$7,104</u>	<u>\$9,928</u>	<u>\$9,804</u>
	Totals, State Operations	\$7,104	\$9,928	\$9,804
	SUBPROGRAM REQUIREMENTS			
0525019	Investigations			
	State Operations:			
0217	Insurance Fund	<u>\$16,066</u>	<u>\$16,218</u>	<u>\$16,191</u>
	Totals, State Operations	\$16,066	\$16,218	\$16,191
	Local Assistance:			

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

0845 Department of Insurance - Continued

		2013-14*	2014-15*	2015-16*
0217	Insurance Fund	\$714	\$750	\$750
	Totals, Local Assistance	\$714	\$750	\$750
	SUBPROGRAM REQUIREMENTS			
0525028	Consumer Services and Market Conduct			
	State Operations:			
0217	Insurance Fund	\$27,246	\$29,613	\$29,544
	Totals, State Operations	\$27,246	\$29,613	\$29,544
	SUBPROGRAM REQUIREMENTS			
0525037	Enhanced Fraud Investigation Division			
	State Operations:			
0001	General Fund	\$-	\$699	\$699
	Totals, State Operations	\$-	\$699	\$699
	PROGRAM REQUIREMENTS			
0530	FRAUD CONTROL			
	State Operations:			
0001	General Fund	\$-	\$2,944	\$4,472
0217	Insurance Fund	47,645	50,062	52,274
	Totals, State Operations	\$47,645	\$53,006	\$56,746
	Local Assistance:			
0001	General Fund	\$-	\$1,000	\$1,000
0217	Insurance Fund	61,464	60,641	63,868
	Totals, Local Assistance	\$61,464	\$61,641	\$64,868
	SUBPROGRAM REQUIREMENTS			
0530010	Fraud - Auto			
	State Operations:			
0217	Insurance Fund	\$19,134	\$21,329	\$21,334
	Totals, State Operations	\$19,134	\$21,329	\$21,334
	Local Assistance:			
0217	Insurance Fund	\$23,676	\$21,951	\$21,951
	Totals, Local Assistance	\$23,676	\$21,951	\$21,951
	SUBPROGRAM REQUIREMENTS			
0530019	Fraud - Workers' Compensation			
	State Operations:			
0217	Insurance Fund	\$22,149	\$22,277	\$24,478
	Totals, State Operations	\$22,149	\$22,277	\$24,478
	Local Assistance:			
0217	Insurance Fund	\$31,117	\$31,874	\$35,101
	Totals, Local Assistance	\$31,117	\$31,874	\$35,101
	SUBPROGRAM REQUIREMENTS			
0530028	Fraud - General Assessment			
	State Operations:			
0217	Insurance Fund	\$3,413	\$2,854	\$2,854
	Totals, State Operations	\$3,413	\$2,854	\$2,854
	SUBPROGRAM REQUIREMENTS			
0530037	Fraud - Disability and Healthcare			
	State Operations:			
0217	Insurance Fund	\$2,949	\$3,602	\$3,608

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

0845 Department of Insurance - Continued

		<u>2013-14*</u>	<u>2014-15*</u>	<u>2015-16*</u>
	Totals, State Operations	\$2,949	\$3,602	\$3,608
	Local Assistance:			
0217	Insurance Fund	<u>\$6,671</u>	<u>\$6,816</u>	<u>\$6,816</u>
	Totals, Local Assistance	\$6,671	\$6,816	\$6,816
	SUBPROGRAM REQUIREMENTS			
0530055	Enhanced Fraud FRAUD Division			
	State Operations:			
0001	General Fund	<u>\$-</u>	<u>\$2,258</u>	<u>\$3,785</u>
	Totals, State Operations	\$-	\$2,258	\$3,785
	Local Assistance:			
0001	General Fund	<u>\$-</u>	<u>\$1,000</u>	<u>\$1,000</u>
	Totals, Local Assistance	\$-	\$1,000	\$1,000
	SUBPROGRAM REQUIREMENTS			
0530064	Enhanced Fraud Legal Branch			
	State Operations:			
0001	General Fund	<u>\$-</u>	<u>\$686</u>	<u>\$687</u>
	Totals, State Operations	\$-	\$686	\$687
	PROGRAM REQUIREMENTS			
0535	GENERAL FUND TAX COLLECTION AND COMPLIANCE			
	State Operations:			
0217	Insurance Fund	<u>\$1,853</u>	<u>\$2,042</u>	<u>\$2,047</u>
	Totals, State Operations	\$1,853	\$2,042	\$2,047
	SUBPROGRAM REQUIREMENTS			
9900100	Administration			
	State Operations:			
0217	Insurance Fund	<u>\$29,386</u>	<u>\$31,938</u>	<u>\$31,714</u>
	Totals, State Operations	\$29,386	\$31,938	\$31,714
	SUBPROGRAM REQUIREMENTS			
9900200	Administration - Distributed			
	State Operations:			
0217	Insurance Fund	<u>\$-29,386</u>	<u>\$-31,938</u>	<u>\$-31,714</u>
	Totals, State Operations	\$-29,386	\$-31,938	\$-31,714
	TOTALS, EXPENDITURES			
	State Operations	177,244	194,887	195,551
	Local Assistance	<u>62,178</u>	<u>62,391</u>	<u>65,618</u>
	Totals, Expenditures	\$239,422	\$257,278	\$261,169

EXPENDITURES BY CATEGORY

	1 State Operations			Expenditures		
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2013-14*</u>	<u>2014-15*</u>	<u>2015-16*</u>
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	1,233.4	1,383.3	1,383.3	\$88,376	\$99,361	\$99,361
Total Adjustments	<u>-</u>	<u>-</u>	<u>19.5</u>	<u>-</u>	<u>56</u>	<u>1,828</u>
Net Totals, Salaries and Wages	1,233.4	1,383.3	1,402.8	\$88,376	\$99,417	\$101,189
Staff Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,979</u>	<u>42,212</u>	<u>43,231</u>
Totals, Personal Services	1,233.4	1,383.3	1,402.8	\$120,355	\$141,629	\$144,420

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.
 † Past year appropriations are net of subsequent budget adjustments.

0845 Department of Insurance - Continued

1 State Operations	Positions			Expenditures		
	2013-14	2014-15	2015-16	2013-14*	2014-15*	2015-16*
OPERATING EXPENSES AND EQUIPMENT				\$56,889	\$53,258	\$51,131
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$177,244	\$194,887	\$195,551

2 Local Assistance	Expenditures		
	2013-14*	2014-15*	2015-16*
Grants and Subventions - Governmental	\$62,178	\$62,391	\$65,618
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$62,178	\$62,391	\$65,618

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2013-14*†	2014-15*	2015-16*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	-	\$3,585	\$5,171
Allocation for employee compensation	-	6	-
Allocation for staff benefits	-	2	-
Section 3.60 pension contribution adjustment	-	50	-
011 Budget Act appropriation (Loan to the Insurance Fund)	(1,122)	(-)	(-)
TOTALS, EXPENDITURES	\$-	\$3,643	\$5,171
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$176,519	\$182,290	\$189,322
Allocation for employee compensation	-	1,587	-
Allocation for staff benefits	-	721	-
Miscellaneous adjustment to realign Current Service Level	-	6	-
Section 3.60 pension contribution adjustment	-	3,287	-
Totals Available	\$176,519	\$187,891	\$189,322
Unexpended balance, estimated savings	-2,122	-	-
TOTALS, EXPENDITURES	\$174,397	\$187,891	\$189,322
0890 Federal Trust Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$2,675	\$3,103	\$808
TOTALS, EXPENDITURES	\$2,675	\$3,103	\$808
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$172	\$250	\$250
TOTALS, EXPENDITURES	\$172	\$250	\$250
Total Expenditures, All Funds, (State Operations)	\$177,244	\$194,887	\$195,551
2 LOCAL ASSISTANCE	2013-14*†	2014-15*	2015-16*
0001 General Fund			
APPROPRIATIONS			
101 Budget Act appropriation	-	\$1,000	\$1,000
TOTALS, EXPENDITURES	\$-	\$1,000	\$1,000
0217 Insurance Fund			
APPROPRIATIONS			

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

0845 Department of Insurance - Continued

2 LOCAL ASSISTANCE	2013-14*†	2014-15*	2015-16*
101 Budget Act appropriation	\$64,223	\$61,391	\$64,618
Totals Available	\$64,223	\$61,391	\$64,618
Unexpended balance, estimated savings	-2,045	-	-
TOTALS, EXPENDITURES	\$62,178	\$61,391	\$64,618
Total Expenditures, All Funds, (Local Assistance)	\$62,178	\$62,391	\$65,618
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$239,422	\$257,278	\$261,169

FUND CONDITION STATEMENTS

	2013-14*	2014-15*	2015-16*
0217 Insurance Fund^s			
BEGINNING BALANCE	\$30,384	\$13,699	\$595
Prior Year Adjustments	-1,748	-	-
Adjusted Beginning Balance	\$28,636	\$13,699	\$595
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4124000 Insurance Company - Examination Fees	19,171	22,517	22,753
4124200 Insurance Company - License Fees and Penalties	40,977	45,198	51,002
4124400 Insurance Company - General Fees	21,647	24,867	27,159
4124600 Insurance Company - Proposition 103 Fees	27,758	29,208	30,512
4124800 Insurance Fraud Assessment - Automobile	49,084	49,119	50,592
4125000 Insurance Fraud Assessment - General	11,223	12,642	13,786
4125200 Insurance Fraud Assessment - Workers Compensation	50,139	52,055	58,862
4140000 Document Sales	78	78	78
4143500 Miscellaneous Services to the Public	16	16	16
4163000 Investment Income - Surplus Money Investments	46	46	46
4171100 Cost Recoveries - Other	2,499	1,700	1,300
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	12	12	12
4172500 Miscellaneous Revenue	-1	365	165
4173000 Penalty Assessments - Other	1	-	-
Transfers and Other Adjustments			
Loan Repayment from Insurance Fund (0217) to General Fund (0001) per Item 0845-011-0001, Budget Act of 2013	-	-112	-239
Loan from General Fund (0001) to Insurance Fund (0217) per Item 0845-011-0001, Budget Act of 2013	1,122	-	-
Revenue Transfer from Insurance Fund (0217) to Office of Patient Advocate Trust Fund (3209) per Chapter 552, Statutes of 2011	-268	-209	-209
Total Revenues, Transfers, and Other Adjustments	<u>\$223,502</u>	<u>\$237,502</u>	<u>\$255,835</u>
Total Resources	\$252,139	\$251,201	\$256,430
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0840 State Controller (State Operations)	15	-	-
0845 Department of Insurance (State Operations)	174,390	187,886	189,311
0845 Department of Insurance (Local Assistance)	62,178	61,391	64,618
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	1,083	1,185	1,380
8880 Financial Information System for California (State Operations)	<u>774</u>	<u>144</u>	<u>334</u>
Total Expenditures and Expenditure Adjustments	<u>\$238,440</u>	<u>\$250,606</u>	<u>\$255,643</u>
FUND BALANCE	\$13,699	\$595	\$787
Reserve for economic uncertainties	13,699	595	787

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

† Past year appropriations are net of subsequent budget adjustments.

0845 Department of Insurance - Continued

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2013-14	2014-15	2015-16	2013-14*	2014-15*	2015-16*
Totals, Authorized Positions	1,233.4	1,383.3	1,383.3	\$88,376	\$99,361	\$99,361
Salary and Other Adjustments	-	-	-5.0	-	56	-727
Workload and Administrative Adjustments						
Federal Grant for Health Insurance Rate Review/Increased Transparency in Medical Services Pricing						
Various	-	-	-	-	-	251
Health Insurance Reform						
Various	-	-	-	-	-	593
Health Policy Form Review for ACA Compliance						
Atty	-	-	2.0	-	-	157
Menu Modernization Project (Year 2)						
Sr Programmer Analyst (Spec) (Limited Term 06-30-2016)	-	-	1.0	-	-	79
Sys Software Spec II (Tech) (Limited Term 06-30-2016)	-	-	1.0	-	-	79
Sys Software Spec III (Supvry) (Limited Term 06-30-2016)	-	-	1.0	-	-	91
Sys Software Spec III (Tech) (Limited Term 06-30-2016)	-	-	1.0	-	-	87
Temporary Help (Limited Term 06-30-2016)	-	-	3.5	-	-	283
Workers' Compensation Fraud Program						
Assoc Govtl Program Analyst	-	-	1.0	-	-	61
Gen Auditor III	-	-	2.0	-	-	130
Investigator	-	-	9.0	-	-	552
Special Investigator Asst	-	-	1.0	-	-	39
Supvng Fraud Investigator I	-	-	2.0	-	-	152
TOTALS, WORKLOAD AND ADMINISTRATIVE ADJUSTMENTS	-	-	24.5	\$-	\$-	\$2,554
Totals, Adjustments	-	-	19.5	\$-	\$56	\$1,828
TOTALS, SALARIES AND WAGES	1,233.4	1,383.3	1,402.8	\$88,376	\$99,417	\$101,189

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.
† Past year appropriations are net of subsequent budget adjustments.